GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3617
ANSWERED ON:16.12.2005
MONITORING OF USE OF LOAN
Masood Shri Rasheed

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has issued directions to the banks for close monitoring of the use of loans borrowed by the companies;

(b) if so, the details thereof;

(c) whether some companies are taking loans in the name of general purposes and investing their working capital in stock market;

(d) if so, the names of such companies and the action taken against the companies found guilty in this regard;

(e) whether abnormal increase has been found in loan figures of some companies; and

(f) if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b) Reserve Bank of India has issued instructions with regard to monitoring of the end use of funds by borrowers. RBI examines the quality of advances portfolio during the course of Annual Financial Inspections (AFIs) of the banks.

(c) & (d) RBI has reported that it has not come across any case of loan being taken for general purposes and the funds diverted to the stock market. However, RBI and the concerned bank take appropriate action in accordance with the laid down procedure / law, whenever any such instance is brought to their notice.

(e) & (f) No, Sir. The banks fix single borrower and group borrower limits in terms of the ceilings prescribed by RBI vide its guidelines on credit and investment exposure by banks to individual and group borrowers.